

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 IO-13 ISO-00 EURE-00 SSO-00 NSCE-00
USIE-00 INRE-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 EA-10 FRB-03 INR-07 NSAE-00 OPIC-03 SP-02
TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 NSC-05
STR-05 L-03 H-01 PA-01 PRS-01 FEAE-00 /112 W
-----059214 121405Z /53

O R 121142Z SEP 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 8823
INFO AMEMBASSY ATHENS
AMCONSUL ADANA POUCH
AMEMBASSY BRUSSELS
AMEMBASSY NICOSIA
AMEMBASSY PARIS
AMEMBASSY ISLAMABAD
AMEMBASSY TEHRAN
AMCONSUL ISTANBUL
AMCONSUL IZMIR
USMISSION USUN NEW YORK
USDOCOSOUTH NAPLES
EUCOM
USCINCEUR
CINCUSAFE
USDOCOLANDSOUTHEAST IZMIR
DIA WASHDC

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E.O. 11652: NA
TAGS: EGEN,EFIN, TU
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SUBJECT: TURKISH COUNCIL OF MINISTERS ANNOUNCES ECONOMIC MEASURES

REF: ANKARA 5706 (DTG 300830Z JUL 77)

1. TURKISH COUNCIL OF MINISTERS ANNOUNCED EVENING OF
SEPTEMBER 8 ECONOMIC MEASURES INTENDED TO CONTRIBUTE
TO SOLUTION OF MAINLY IMMEDIATE ECONOMIC

PROBLEMS. MEASURES ARE IN THREE GROUPS: (A) FOR PROMOTING EXPORTS AND IMPROVING BALANCE OF PAYMENTS; (B) FOR SPEEDING UP INVESTMENTS OF STATE ECONOMIC ENTERPRISES, FINANCING THESE INVESTMENTS, AND REDUCING LOSSES OF THESE ENTERPRISES; AND (C) FOR FIGHTING RISING PRICES AND INFLATION. RELATED, BUT SEPARATE ANNOUNCEMENTS OF PRICE INCREASES COVERING WIDE RANGE OF GOODS, INCLUDING PETROLEUM PRODUCTS AND IRON AND STEEL, WILL BE COVERED IN SEPTTEL.

2. COUNCIL INDICATED THAT MEASURES WERE STEPS TOWARD FOLLOW-UP OF PROMISES IN GOVERNMENT'S PROGRAM OF JULY 27, TO FIGHT INFLATION, ELIMINATE IMBALANCES BETWEEN SUPPLY AND DEMAND, PREVENT SHORTAGES OF GOODS, INCREASE PRODUCTION, ENCOURAGE SAVINGS, RAISE PUBLIC REVENUES, AND REVISE CREDIT, FINANCING, INVESTMENT, AND SUPPORT POLICIES.

3. MEASURES ARE AIMED AT CONTROLLING SUPPLY OF BOTH FOREIGN AND DOMESTIC CURRENCIES AND EVENTUALLY AT INCREASING PRODUCTION. TRADE MEASURES ARE AIMED AT BOOSTING EXPORTS BUT THEY MAKE NO SPECIAL ATTEMPT TO DECREASE IMPORTS. INDUCEMENTS OF INFLOWS OF WORKER REMITTANCES, ENCOURAGEMENT OF SHIPPING (ALTHOUGH IT IS NOT YET KNOWN WHETHER TURKS WILL EMPLOY GATT-ACCEPTABLE MEANS), AND SCHEME FOR GETTING FIRMS TO LIMITED OFFICIAL USE

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BRING IN FOREIGN LOANS THAT ARE DOUBLE THEIR IMPORT REQUIREMENTS COULD CONSIDERABLY IMPROVE INVISIBLES ACCOUNT. OTHER MEASURES WILL AIM AT REDUCING MONEY SUPPLY BY TIGHTENING DOMESTIC CREDIT AND CUTTING LOSSES OF STATE ECONOMIC ENTERPRISES THAT MUST BE FINANCED FROM STATE BUDGET. MEASURES TO INCREASE PRODUCTION ARE VAGUE AND WILL IN ANY EVENT NOT BE SUSCEPTIBLE TO RAPID IMPLEMENTATION. IF THEY ARE WELL CONCEIVED, THEY WOULD ULTIMATELY REDUCE SHORTAGES OF MANUFACTURING INPUTS AND OTHER GOODS AND ENHANCE EXPORT CAPACITY. ENTIRE PACKAGE SHOULD ACT ESPECIALLY TO IMPROVE FOREIGN ACCOUNTS AND REDUCTION OF INFLATION.

4. PROGRAM IS UNEVEN IN ARTICULATION OF DETAIL. MEASURES FOR PROMOTING EXPORTS AND IMPROVING BALANCE OF PAYMENTS ARE GENERALLY MORE SPECIFIC THAN OTHER MEASURES. A NUMBER OF MEASURES ARE SO GENERALLY COUCHED THAT THEIR REAL MEANING IS OBSCURE. IT IS CERTAIN THAT GOVERNMENT WILL PUBLISH IN OFFICIAL GAZETTE IMPLEMENTING REGULATIONS FOR ALL OF THESE MEASURES IN FORM OF COMMUNIQUE OR DECREES OF RESPONSIBLE MINISTRIES. ALTHOUGH GOT IS LIKELY TO MOVE AS FAST AS IT CAN WITH IMF WATCHING, IT

COULD BE A WHILD BEFORE ALL THE DETAILS ARE WORKED OUT
AND THE MEASURES ARE IN FORCE.

5. FOLLOWING IS SUMMARY OF ANNOUNCEMENT:

A. MEASURES FOR PROMOTING EXPORTS AND IMPROVING
BALANCE OF PAYMENTS. (1) REDUCTION OF EXPORT FORMALI-
TIES; (2) FACILITATION OF TEMPORARY IMPORT OF INPUTS
USED IN MANUFACTURE OF EXPORT GOODS; (3) ASSISTANCE IN
EXPORTING SAMPLES AND RENTING WAREHOUSE SPACE ABROAD;
(4) EXTENSION OF EXPORT-PREPARATION CREDITS TO FIVE YEARS;
(5) AUTHORIZATION FOR USE OF UP TO 50 PERCENT OF EARNINGS
FROM EXPORTS OF MANUFACTURED AND MINING PRODUCTS TO PAY

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FOR IMPORTS NEEDED IN THEIR PRODUCTION; (6) AUTHORIZATION
FOR TURKISH FIRMS OPENING CONVERTIBLE LIRA ACCOUNTS
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(I.E., MAKING FOREIGN EXCHANGE LOANS) IN CENTRAL BANK
WITH MAUTRITIES OF TWO YEARS OR LONGER TO IMPORT GOODS
UP TO 50 PERCENT OF THE VALUE OF THOSE ACCOUNTS; (7) AUTHORI-
ZATION FOR FIRMS TO USE UP TO ONE PERCENT OF THEIR EXPORT
EARNINGS TO COMPENSATE PURCHASERS FOR DAMAGGED OR
OTHERWISE DEFECTIVE GOODS; (8) EXPANSION OF RANGE
OF GOODS THAT CAN BE IMPORTED WITH WAIVER OF AUTHORIZATION
OF FOREIGN-EXCHANGE TRANSFER (I.E. IMPORTS FOR WHICH
FOREIGN EXCHANGE HAS BEEN OBTAINED OUTSIDE TURKEY),
ESPECIALLY TO INCLUDE TOOLS AND EQUIPMENT; (9) BANK
ON IMPORTS WITH WAIVER OF LUXURY CARS (TURKISH
CITIZENS MAY NOT IMPORT CARS BY OTHER MEANS), AND REQUIREMENT THAT
CUSTOMS DUTIES AND TAXES ON OTHER CARS BE PAID WITH FOREIGN
EXCHANGE BROUGHT INTO THE COUNTRY AND CONVERTED TO
TURKISH LIRA AT CENTRAL BANK; (10) ENCOURAGEMENT OF USE
OF TURKISH FLAG SHIPS TO CARRY IMPORTS INTO TURKEY;
(11) PROVISION OF FIVE-YEAR CONVERTIBILITY
GUARANTEE FOR FOREIGN EXCHANGE BROUGHT INTO TURKEY BY
TURKISH WORKERS ABROAD; (12) REVISION OF REDUCTIONS OF
AND EXEMPTIONS FROM CUSTOMS DUTIES ACCORDING TO CURRENT
NEEDS OF COUNTRY; (13) SUBSIDIZATION OF INPUTS OF INDUS-
TRIAL EXPORTS TO EQUALIZE THEIR PRICES WITH PRICES OF
INPUTS OF FORIEGN COMPETITORS; (14) AUTHORIZATION FOR
EXPORTERS TO LEASE FROM ABROAD CERTAIN EQUIPMENT, IN-
CLUDING PACKAGING MACHINERY; (15) REDUCTION INAGGRIGATE
ALLOCATION OF FOREIGN EXCAHNGE TO TURKS TRAVELING ABROAD;
(16) "ALL OTHER NECESSARY MEASURES" TO SPEED UP EXPORTS
BY PRIVATE AND PUBLIC SECTORS.

B. MEASURES FOR ACCELERATING INVESTMENTS OF
STATE ECONOMIC ENTERPRISES, FINANCING FOR THEM, AND RE-
DUCING THEIR LOSSES. (1) INCREASE IN PRICES OF MANY GOODS
AND SERVICES OF STATE ENTERPRISES TO REDUCE LOSSES THAT
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MUST BE MET FROM STATE BUDGET AND TO ENSURE FINANCING
REQUIREMENTS OF THOSE ENTERPRISES; (2) LIQUIDATION OF

STOCKS OF STATE ENTERPRISES, INCLUDING GOVERNMENT
GRICULTURAL PURCHASING AND SELLING AGENCIES;

(3) PROMPT COMPLETION OF INVESTMENTS OF STATE ENTER-
PRISES ALREADY UNDER WAY AND SPEED-UP AND EXPANSION OF
NEW INVESTMENTS, AND ELIMINATION OF OPEN-FINANCING PRACTICES
OF THESE ENTERPRISES IN EFFORT TO REDUCE DEFICIT IN STATE
BUDGET, INCLUDING 1977 BUDGET, (4) REVISION OF TAX REDUCTIONS
AND EXEPTIONS TO MEET NEEDS OF THE ECONOMY AND TO REMOVE
INJUSTICES.

C. MEASURES FOR FIGHTING RISING PRICES AND INFLATION:

(1) ELIMINATION OF OPEN CREDITS FROM CENTRAL BANK FOR FIN-
ANCING STATE ENTERPRISES AND AGENCIES; (2) INCREASE IN
RESERVE REQUIREMENTS OF BANKS BY 5 PERCENT (BRINGING THEM
UP TO 25-30 PERCENT); (3) INCREASE IN IMPORT DEPOSITS BY
5 PERCENT (BRINGING THEM UP TO 15-25 PERCENT); (4) ENCOUR-
AGEMENT OF PRIVATE INVESTMENT, PARTICULARLY INCOMPLETE
INVESTMENTS IN ORDER TO PUT THEM INTO OPERATION PROMPTLY;
(5) INCREASED PRODUCTION; (6) LIMITATION OF INSTALLMENT
CREDITS TO 12 MONTHS.

6. COMMENT: NEW ECONOMIC MEASURES FORM WIDE-RANGING EFFORT
TO ADDRESS TURKEY' S IMMEDIATE ECONOMIC NEEDS. THEY ARE,
FURTHERMORE, AN ACT OF CONSIDERABLE POLITICAL COURAGE,
INTRODUCING, AS THEY DO CONCURRENTLY, SHARP PRICE RISES IN
MANY PRODUCTS AFFECTING CONSUMERS DIRECTLY AND INDIRECTLY.
CHASE MANHATTAN BANKERS VISITING EMBASSY SEPTEMBER 6 WERE
FAVORABLY IMPRESSED. IMP IS LIKELY TO REGARD PROGRAM AS
CONSTRUCTIVE BASIS FOR DISCUSSION OF CONDITIONS
ATTENDANT UPON EXTENSION OF CREDITS TO TURKEY.

7. ANALYSIS FOLLOWS SEPTTEL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CABINET, TEXT, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ANKARA06763
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770329-1010
Format: TEL
From: ANKARA USOECD
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770976/aaaacmbk.tel
Line Count: 265
Litigation Code IDs:
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Litigation History:
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Message ID: c61d8648-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 ANKARA 5706
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Aug-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1314266
Secure: OPEN
Status: NATIVE
Subject: TURKISH COUNCIL OF MINISTERS ANNOUNCES ECONOMIC MEASURES
TAGS: EGEN, EFIN, TU
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/c61d8648-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009